

**BEFORE THE
PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA**



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Order Instituting Rulemaking to Continue
Implementation and Administration, and
Consider Further Development of, California
Renewables Portfolio Standard Program.

Rulemaking 15-02-020
(Filed February 26, 2015)

**PACIFIC GAS AND ELECTRIC COMPANY'S (U 39 E)
REPLY COMMENTS ON THE DRAFT 2016 RPS PROCUREMENT PLANS**

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Dated: September 16, 2016

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On August 8, 2016, Commission-jurisdictional load-serving entities (“LSEs”) filed their respective draft 2016 Renewables Portfolio Standard Plans (“2016 RPS Plan”). On September 1, 2016, parties filed opening comments on the 2016 RPS Plans. In these reply comments, PG&E addresses: (1) the key issues outlined in its 2016 RPS Plan; and (2) specific issues raised in opening comments.

I. THE COMMISSION SHOULD APPROVE PG&E’S PROPOSAL TO NOT HOLD AN RPS SOLICITATION AND ITS FRAMEWORK TO ASSESS POTENTIAL SALES OF EXCESS RPS VOLUMES

Parties’ opening comments addressed a variety of issues, which PG&E discusses in individual subsections of Part II below. Overall, no party challenged or disputed PG&E’s forecasted RPS position, which is fundamental to the two key issues PG&E asked the Commission to approve as a part of its 2016 RPS Plan.

First, the Commission should approve PG&E’s proposal to not hold an RPS procurement solicitation for the 2016 solicitation cycle. As demonstrated in the 2016 RPS Plan, and shown quantitatively in the Renewable Net Short (“RNS”) tables in Appendices C.1 and C.2, PG&E does not have incremental RPS physical need until at least 2026. No party disputed PG&E’s sufficiently long RPS position, or its quantitatively calculated year of need. Procuring RPS

volumes in this solicitation cycle would add unnecessary incremental RPS volumes to PG&E's position and burden customers with unjustified near-term costs.

Second, PG&E asked the Commission to approve a framework to assess potential sales of excess RPS volumes. The framework would be used by PG&E to determine whether to hold or sell future bankable RPS volumes, while maintaining a sufficient RPS position. Based on current assumptions, this would result in one or more 2017 solicitations to sell short-term bundled RPS volumes. The proposed framework would allow PG&E to rebalance its RPS position with RPS need by potentially selling ratable RPS volumes in a transparent, market-based, and competitive approach. No parties disputed PG&E's proposed framework, or the potential sales of RPS volumes that may result. PG&E urges the Commission to approve the proposed framework, resulting in approval of its ability to hold one or more solicitations to sell 2017 volumes, if the framework determines sales to be cost-effective to customers.

II. SPECIFIC ISSUES RAISED IN PARTIES' COMMENTS

A. The Commission Should Not Delay Approval of the 2016 RPS Plans

The Commission should approve PG&E's 2016 RPS Plan as soon as possible. This is necessary to provide PG&E with clarity on how to proceed with its proposed actions to: (1) not hold a procurement solicitation, and (2) utilize its framework to determine whether to sell RPS volumes in 2017. In opening comments, the Joint Parties¹ suggest delaying approval of the 2016 RPS Plans until the least-cost, best-fit ("LCBF") reform proceeding addresses curtailment issues.² PG&E agrees these questions should be addressed in the LCBF proceeding, but it is not substantive enough to delay approval of the 2016 RPS Plans. Instead, the Commission should

¹ The Joint Parties include the California Biomass Energy Alliance, California Wind Energy Association, Calpine Corporation, Geothermal Energy Association, and Ormat Nevada, Inc.

² Joint Parties Comments at p. 9.

proceed with reviewing and approving the 2016 RPS Plans, and can require that LCBF reforms, if any, that are adopted later in 2016 or in 2017 be incorporated into the 2017 RPS Plans.

The Joint Parties also assert that through the RPS Plan decision the Commission should ensure that LCBF takes into account the costs associated with curtailment.³ Since only Southern California Edison Company (“SCE”) is proposing to potentially hold a 2016 RPS solicitation, SCE is the only party that filed an LCBF procurement methodology. The Joint Parties recognize that “SCE appears to account appropriately for curtailment in its LCBF methodology.”⁴ The structural questions raised, such as inputs to proprietary utility energy price forecasts and the impact of forecasted curtailment on project valuation, are beyond the scope of the RPS Plans and are better suited to be addressed in a comprehensive manner in LCBF reform. Since the Joint Parties believe that SCE properly accounts for curtailment in their LCBF, there is clearly no need for the Commission to delay its decision on approving the 2016 RPS Plans or to address this issue further at this time.

B. Proposals for Higher RPS Requirements Are Premature and Out of Scope

The Independent Energy Producers Association (“IEP”) requests that the Commission raise the RPS target in the near term to further Senate Bill (“SB”) 350’s greenhouse gas (“GHG”) emissions reduction goals.⁵ This proposal is premature and outside the scope of this proceeding. The Commission has just started addressing SB 350, and specifically the means for reducing GHG emissions to meet the SB 350 goals. It is premature at this point to raise the RPS requirements given that SB 350 implementation is still in the very early stages. In addition, IEP’s proposal is outside of the scope of this proceeding. The Commission instituted a

³ Joint Parties Comments at p. 3.

⁴ *Id.*

⁵ IEP Comments at p. 12.

rulemaking in February 2016 referred to as the Integrated Resource Plan (“IRP”) proceeding (Rulemaking 16-02-007) to study what, if any, additional resources might be required to meet the state’s GHG reduction goals. To the extent IEP believes additional RPS resources should be procured to meet California’s GHG emission reduction goals, the appropriate venue to raise this proposal is in the IRP proceeding, not in the review of the 2016 RPS Plans.

IEP also asserts that the current RPS target is to be considered a floor, not a ceiling and proposes to “target procurement of a higher level of RPS energy deliveries in 2021-2024.”⁶ As explained above, these comments are out of scope with the RPS procurement plan objectives and should be rejected.

Finally, IEP’s claims about missing out on “fleeting” low-cost opportunities by waiting to procure RPS resources when RPS procurement need actually exists are completely speculative.⁷ Renewable energy tax credits, which IEP suggests drive future market prices, have been extended many times in the past. IEP references an analysis done using the RPS Calculator’s price forecast, but PG&E has already cautioned against using the price projections in the RPS Calculator – a high-level planning tool – for policy decisions in prior comments. It is not prudent for PG&E to procure resources it does not need as a strategy to hedge against uncertain future renewable contract prices, or the risk that tax credits, which have been repeatedly extended, may not be extended in the future.

C. The Commission Should Take Action On PG&E’s PV Program Petition For Modification

PG&E agrees with the Large-Scale Solar Association’s (“LSA”) comment that the Commission should take action on PG&E’s Petition for Modification concerning the roll-over

⁶ IEP Comments at p. 2.

⁷ *Id.*

megawatts (“MW”) from PG&E’s terminated Photovoltaic (“PV”) Program.⁸ In January 2016, PG&E filed the petition to request that the Commission eliminate the requirement for PG&E to conduct solicitations in 2016 and 2017 for the remaining capacity from the PV Program. Since PG&E does not have a need for incremental RPS procurement at this time, there is no reason to conduct solicitations for unneeded resources that would unnecessarily increase customer costs. PG&E agrees with LSA that a Commission decision on the petition for modification will resolve uncertainty in the developer community, and thus urges the Commission to act expeditiously on its request and grant the Petition for Modification.

D. PG&E’s Bank Is Crucial To Mitigating Non-Compliance Risks

As IEP indicates in its opening comments, “the legislature has authorized the use of banking excess renewable procurement to meet future compliance obligations.”⁹ The Commission has implemented these statutory RPS banking provisions during the course of the RPS program, most recently in Decision 12-06-038. The legislature authorized RPS banking provisions to mitigate compliance risks by providing RPS obligated entities flexibility to meet RPS compliance requirements. As IEP points out, the banking provisions are intended to “enable retail sellers to better accommodate the “lumpy” additions of energy from RPS-eligible resources as they come online and to plan for unexpected contingencies (e.g. unanticipated changes in supply or demand).”¹⁰ PG&E agrees with IEP’s characterization of the benefits of the banking provisions and provided further elaboration on the value the RPS bank provides to its customers in Sections 1.3 and 8 of its Draft 2016 RPS Plan.

⁸ LSA Comments at p. 3.

⁹ IEP Comments at p. 8. *See also* California Public Utilities Code Section 399.13(a)(4)(B) implemented the banking provisions.

¹⁰ IEP Comments at p. 8.

While PG&E agrees with IEP about the authority to have a bank and its benefits for customers, PG&E strongly disagrees with IEP's assertion that with the higher RPS and GHG reduction obligations adopted in SB 350 "the concept of 'excess' renewables procurement is out of step with public policy."¹¹ With the higher RPS obligations adopted in SB 350 and uncertain load projections, PG&E faces continued RPS compliance risks in the future. Therefore, the legislatively supported banking provisions are as needed today as they were in previous years and provide benefit to PG&E customers by allowing excess RPS volumes to offset future compliance requirements, as well as mitigating risks of load uncertainty, protecting against project failure or delay, and managing the year-to-year variability from RPS resources.

E. Addressing The Joint Proposal To Retire Diablo Canyon Nuclear Power Plant Is Premature

With regard to the proposed closure of the Diablo Canyon Power Plant ("DCPP"), IEP notes that PG&E's 2016 RPS Plan does not propose any RPS solicitations to replace the DCPP energy output.¹² Similarly, LSA notes that PG&E's 2016 RPS Plan does not reflect any procurement related to the Joint Proposal to shutdown DCPP that is pending before the Commission in Application 16-08-006 ("DCPP Application").¹³ These parties' suggestions to expand the scope of the 2016 RPS Plan to address DCPP replacement needs are premature at this time. The DCPP Application for approval of retirement of DCPP and to replace DCPP, in part, with three tranches of procurement, was only recently filed in the Commission. According to the proposed schedule in the DCPP Application proceeding, a Commission decision would not be issued until June 2017. Given that the DCPP Application proceeding has only just commenced,

¹¹ IEP Comments at p. 9.

¹² IEP Comments at pp. 10-11.

¹³ LSA Comments at pp. 3-4.

and the Commission will likely not substantively address the merits of the DCP Application until mid-2017, it is premature at this time to address procurement proposed in the DCP Application in the 2016 RPS Plan.

F. Information Related To The Use of Economic Curtailment Rights Is Already Addressed In Other Commission Venues

Both the Joint Parties and LSA request further information related to the use of economic curtailment rights. These requests are beyond the scope of the Commission's review of the RPS Plans. Currently, issues of contract administration, such as the use of curtailment rights, are already addressed annually in the utilities' respective Energy Resource Recovery Account ("ERRA") Compliance proceedings. Moreover, in Section 11 of its 2016 RPS Plan, PG&E has provided details on observations and issues related to economic curtailment, and information on PG&E's scheduling practices for RPS-eligible resources. Additional information on PG&E's scheduling and bidding practices can be found in its 2014 Bundled Procurement Plan ("BPP"), which was approved by the Commission in Decision 15-10-031 in October 2015. The Joint Parties and LSA fail to justify why further information or policy questions related to use of contractual economic bidding rights should be addressed via the RPS Plans.

G. Broad Cost Allocation For Procurement Of Biomass Resources Is Unanimous And The Commission Should Address The Issue As Soon As Possible

Several parties included comments related to Governor Brown's Emergency Proclamation on Tree Mortality ("Emergency Proclamation") that indicate consensus on the issue of cost allocation.¹⁴ These parties agree with PG&E and the other utilities that the costs of additional Emergency Proclamation related procurement must be allocated to all benefitting customers in California on a fully non-bypassable basis.

¹⁴ See IEP Comments at p. 12; Office of Ratepayer Advocates ("ORA") Comments at pp 2-3.

Since the draft 2016 RPS Plans were filed, the Legislature has taken action to further address the Emergency Proclamation by passing SB 859, which was subsequently signed by the Governor on September 14, 2016. SB 859 requires electrical corporations to procure their proportional share of 125 MW from existing biomass facilities by December 1, 2016. SB 859 also requires the Commission to ensure the utilities' costs to meet this requirement are recovered from all customers on a non-bypassable basis. In order to accomplish this expedited procurement, PG&E urges the Commission to issue a final decision as soon as practicable that: (1) establishes each utility's capacity allocation under SB 859; (2) resolves the pending PG&E/SCE Petition for Modification in Rulemaking 08-08-009 by allocating costs incurred pursuant to Resolution E-4770 ("BioRAM") to all benefitting customers using the methodology proposed in that Petition; and (3) implements SB 859 by extending the same cost allocation methodology incremental procurement to meet the new SB 859 mandate. Cost allocation, in particular, should be determined in advance of the utilities incurring any costs pursuant to the BioRAM or SB 859 contracts.

H. PG&E Supports ORA's Recommendation that the Commission Address the Procurement Expenditure Limitation

ORA recommends the Commission finalize the Procurement Expenditure Limitation ("PEL") for the protection of customers, particularly in light of increased RPS targets and mandated procurement programs.¹⁵ PG&E supports ORA's recommendation and reiterates that it strongly supports the prompt implementation of a clear, stable, and meaningful PEL.

¹⁵ ORA Comments at p. 3.

III. CONCLUSION

PG&E appreciates the opportunity to provide reply comments on its 2016 RPS Plan and requests the Commission's expeditious approval of its Plan.

Respectfully submitted,

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September 16, 2016

VERIFICATION

I, Brendan Lucker, am an employee of Pacific Gas and Electric Company, a corporation, and am authorized to make this verification on its behalf. I have read the foregoing:

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The statements in the foregoing document are true to my own knowledge, except as to matters which are therein stated on information and belief, and as to those matters I believe them to be true. I declare under penalty of perjury that the foregoing is true and correct.

Executed on this 14th day of September, 2016 at San Francisco, California.

/s/ *Brendan Lucker*

BRENDAN LUCKER

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